



DOCKET NO: H-06	BOARD MEETING: June 5, 2012	PROJECT NO: 11-121	PROJECT COST: Original: \$2,552,699
FACILITY NAME: Lisle Center for Pain Management		CITY: Lisle	
TYPE OF PROJECT: Substantive			HSA: VII

PROJECT DESCRIPTION: The applicant proposes to establish a limited-specialty Ambulatory Surgery Treatment Center (ASTC). The estimated cost of the project is \$2,552,699.



EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicant proposes to establish a limited-specialty Ambulatory Surgery Treatment Center (ASTC).
- The estimated cost of the project is \$2,552,699.
- **The anticipated completion date is August 31, 2013.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The applicant is proposing the establishment of a health care facility as defined by the Act.

PURPOSE OF THE PROJECT:

- To establish a limited-specialty ambulatory surgery treatment center (ASTC), providing Neurology and Interventional Pain Management categories of service.

NEED:

To establish an ambulatory surgical treatment center an applicant must

1. Provide the surgical specialties to be provided;
2. Identify the proposed geographical service area;
3. Provide evidence that within two years after project completion the facility will be operating at 1,500 hours per operating room;
4. Identify the impact on other area facilities; and
5. Whether the proposed project is a cooperative venture with a hospital.

BACKGROUND/COMPLIANCE ISSUES:

- None

PUBLIC HEARING/COMMENT:

- No public hearing was requested.
- Three opposition letters were received by the State Board Staff. The project file contains no support letters.

FINANCIAL AND ECONOMIC FEASIBILITY:

- The entirety of the project will be funded through Cash & Securities, the fair market value of leased space. According to the applicant they are funding the project with cash and securities totaling \$1,939,700 and the FMV of the leases totaling \$612,999. A notarized letter from Nesreen Suwan, MD stated *"I attest that the total estimated costs associated with the development of Lisle Center for Pain Management will be funded by cash or cash equivalents."*

CHARITY CARE:

- The applicant anticipates serving a projected payor mix of 40% private insurance, 20% Medicare, 20% Worker's Comp., 2% Charity, 5% Medicaid, and 15%.

**CONCLUSIONS:**

- The applicants have addressed a total of 15 criteria and have failed to meet two of the State Board criteria listed (highlighted) in the table below.
 - 1110.234 (a) – Project Size
 - 1110.234 (b) – Project Utilization
 - 1110.1540 (a) – Scope of Services Provided
 - 1110.1540 (b) – Target Population
 - 1110.1540 (c) – Projected Patient Population
 - 1110.1540 (d) – Treatment Room Need Assessment
 - **1110.1540 (e) – Impact on Other Facilities**
 - **1110.1540 (f) – Establishment of New Facility**
 - 1120.120 (a) – Availability of Funds
 - 1120.130 (a) – Financial Feasibility
 - 1120.140 (a) – Reasonableness of Finance Cost
 - 1120.140 (b) – Terms of Debt Financing
 - 1120.140 (c) – Reasonableness of Project Costs
 - 1120.140 (d) – Projected Operating Costs
 - 1120.140 (e) – Total effect of the Project on Capital Costs
- The proposed project seeks to establish an ASTC containing one Class C Surgical Suite, and one Class B Procedure Suite to a service area that already has underutilized surgical services. There are existing providers currently providing these services within the proposed geographical service area. Below is a list of criteria that did not meet IHFSRB and/or State standards:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
1110.1540 (e) Impact on Other Facilities	Board Staff identified 4 hospitals and 15 ASTCs underperforming in their surgical service area.
1110.1540 (f) Establishment of New Facilities	Board Staff identified 4 hospitals and 15 ASTCs underperforming in their surgical service area. Proposed facility will not improve access and is not part of a hospital system venture.



STATE BOARD STAFF REPORT
Lisle Center of Pain Management-Lisle
PROJECT #11-121

APPLICATION SUMMARY	
Applicants(s)	55555, LLC
Facility Name	Lisle Center for Pain Management
Location	Lisle
Application Received	December 22, 2011
Application Deemed Complete	December 27, 2011
Review Period Ended	February 25, 2012
Public Hearing Held	No
Can Applicants Request Deferral?	No
Review Period Extended by the State Board Staff?	No
Project Completion Date	August 31, 2013
ASTC/OR Count in HSA-07	47/151
ASTC/OR Count After Transaction	48/152
Support/Opposition Letters	0 Support 3 Opposition

I. The Proposed Project

The applicant proposes to establish a limited-specialty ambulatory surgery treatment center (ASTC) in 5,640 GSF of leased space in Lisle. The proposed facility will contain one surgical suite, one procedure room, and eight recovery stations, and offer Neurology and Pain Management categories of service. The cost of the project is \$2,552,699.

II. Summary of Findings

- A. The State Board Staff finds the proposed project does not appear to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

III. General Information

The applicant is 55555, LLC., and the owner of the building is University Property Management. The proposed facility will be located at 2867 East Ogden Avenue, Lisle. The proposed limited-specialty ASTC will be located in DuPage County, HSA VII.



The project is substantive and subject to Part 1110 and Part 1120 review. Obligation will occur after permit issuance. **The anticipated project completion date is August 31, 2013.**

Tables One and Two display information pertaining to hospitals and ASTCs in a 30-minute travel radius that provide surgical/procedure-based services. Data includes authorized ORs/Procedure rooms, and travel times from the applicants' facility and respective utilization rates. Data on authorized suites and utilization rates were obtained from IDPH's 2010 Hospital and ASTC profiles and travel times were obtained from Map Quest. The data in the table is sorted by travel time.

Of the providers identified in Table One, 9 out of 13 hospitals (69.2%), achieved the State Board's target surgical utilization (1,500 hrs) for 2010. Table Two shows 6 (28.5%), out of 21 ASTC's in the service area are at the prescribed operational capacity.

TABLE ONE Hospitals within the Proposed GSA Lisle Center for Pain Management, Lisle							
Facility Name	City	Adjusted Time	Distance	# of OR's	Total Surgical Hours	# of OR's Justified	Met State Standard?
Edward Hospital	Naperville	11	4	19	29,592	20	Yes
Advocate Good Samaritan Hospital	Downers Grove	13	5.7	13	24,930	17	Yes
Central DuPage Hospital	Winfield	18	8.2	26	39,439	27	Yes
Adventist Bolingbrook Hospital	Bolingbrook	20	10.3	6	8,435	6	Yes
Rush Copley Memorial Hospital	Aurora	21	10.5	11	20,111	14	Yes
Adventist Glen Oaks Medical Ctr.	Glendale Heights	25	13.3	5	3,108	3	No
Provena Mercy Ctr.	Aurora	25	13.9	12	8,889	6	No
Adventist Hinsdale Hospital	Hinsdale	26	14.9	12	20,573	14	Yes
Elmhurst Memorial Hospital	Elmhurst	27	16.5	14	21,451	15	Yes
Loyola University Medical Ctr.	Maywood	28	17.4	27	41,115	28	Yes
Adventist LaGrange Memorial Hospital	LaGrange	30	16.5	11	13,519	10	No
Alexian Brothers Medical Ctr.	Elk Grove Village	30	18.6	15	34,623	24	Yes
Rush Oak Park Hospital	Oak Park	30	18.8	9	7,614	6	No
Number of surgical hours, rooms taken from IDPH 2010 Hospital Questionnaire Time and Distance taken from Map Quest and adjusted per 77 IAC 1100.510 (d)							



TABLE TWO
ASTC within the Proposed GSA
Lisle Center for Pain Management, Lisle

Name	City	Type	Time	Distance	# of OR's	Total Surgical Hours	# or OR's Justified	State Standard Met?
The Center for Surgery	Naperville	Multi	4	2.2	8	6,210	5	No
DuPage Orthopedic Surgery Ctr.	Warrenville	Ltd	9	4	4	2,306	2	No
Ambulatory Surgicenter of Downers Grove	Downers Grove	Ltd.	12	5	3	2,083	2	No
Midwest Center for Day Surgery	Downers Grove	Multi	13	5.7	5	4,404	3	No
Midwest Endoscopy Ctr.	Naperville	Single	16	7.2	2*	5,212	4	Yes
Naperville Surgical Ctr.	Naperville	Multi	16	7.3	4	3,009	3	No
DuPage Medical Group Surgery Ctr.	Lombard	Multi	16	7.7	5	7,787	6	Yes
Oak Brook Surgical Ctr.	Oak Brook	Multi	16	8.5	4	4,555	4	Yes
Salt Creek Surgery Ctr.	Westmont	Multi	17	6.9	4	4,561	4	Yes
DuPage Eye Surgery Ctr.	Wheaton	Single	18	7.1	3^	1,718	2	No
Loyola Ambulatory Surgery Ctr. at Oak Brook	Villa Park	Multi	19	10.4	3	4,799	4	Yes
Elmhurst Outpatient Surgery Ctr.	Elmhurst	Multi	20	12.5	4	2,912	2	No
Chicago Prostate Cancer Surgery Ctr.	Westmont	Single	21	8.6	2	1,171	1	No
Castle Surgicenter	Aurora	Multi	21	10.2	2	1,725	2	Yes
Children's Memorial Spec. Ped.	Westchester	Multi	23	12.8	3	2,480	2	No
Hinsdale Surgical Ctr.	Hinsdale	Multi	23	14.1	4	4,423	3	No
Eye Surgery Ctr. of Hinsdale	Hinsdale	Single	23	14.3	2^	391	1	No
Aiden Ctr. for Day Surgery	Addison	Multi	24	14.5	4	4,423	3	No
Dreyer Ambulatory Surgery Ctr.	Aurora	Multi	26	14.6	4	2,614	2	No
Kendall Point Surgery Ctr.	Oswego	Multi	27	13.4	3	758	1	No
Loyola University Ambulatory Surgery Ctr.	Maywood	Multi	28	17.4	8	7,711	6	No

Time and Distance determined by MapQuest and adjusted per 1100.510 (d)

Utilization information taken from CY 2010 Annual Questionnaires

* Procedure Rooms Only / Outpatient Endoscopy Center

^Single Specialty facility dedicated to Ophthalmologic procedures.

Summary of Support and Opposition Comments

A public hearing was offered regarding the proposed project, but none was requested. The project file contains three opposition letters, received from Aiden



Center for Day Surgery, Ashton Center for Day Surgery, Oak Brook Surgical Center.

- **Ali Nili, Administrator, Oak Brook Surgical Centre, Inc.** states *"There is not a need in our HFPB planning area for any additional surgical services. There are a multitude of office-based surgical facilities, ambulatory surgical centers, and hospitals with outpatient surgical facilities within our planning area that are not operating at full capacity, and the introduction of yet another ASTC would impede the resources already available."* **Ali Nili also filed similar opposition letters on behalf of Aiden Center for Day Surgery, Addison, and Ashton Center for Day Surgery, Hoffman Estates. State Board Staff Notes that Ashton Center for Day Surgery is not located in the proposed geographical service area.**

IV. The Proposed Project – Details

The applicant proposes to establish a limited-specialty ambulatory surgery treatment center (ASTC) in 5,640 GSF of leased space in Lisle. The facility will consist of one Class "C" operating room (OR), one Class "B" procedure room, six Phase I recovery stations, and two Phase II recovery stations. The estimated cost of the project is \$2,552,699. A safety net impact statement was provided on March 1, 2012 stating "that the proposed facility will have a positive impact on safety net services in the community. Because it is anticipated that all patients will be referred by the two specialists the payor mix will be similar to their practice. Both of the referring physicians have a long practice of accepting patients into their practices, regardless of their ability to pay with professional services being provided without charge, at a reduced rate, or with payments scheduled over an extended period of time. The applicant did not provide historical data pertaining to charity care for the past three years, but instead provided a projected payor mix and charity care figures for the proposed ASTC (See Table Three)

TABLE THREE			
Projected Payor Mix/ Charity Care			
Charity Care			
	Year 1	Year 2	Year 3
Net Patient Revenue		\$1,952,000	
Amount Of Charity Care (Charges)		\$139,500	
Cost of Charity Care		\$48,500	

V. Project Costs and Sources of Funds

Table Four shows the project costs and funding sources. The total cost of the project is \$2,552,699, which is classified as clinical considerations exclusively. The applicants state the source of funds will be from cash and securities totaling \$1,939,700, and the fair market value of the lease totaling \$612,999.



TABLE FOUR			
Project Costs and Source of Funds			
Project 11-121 Lisle Center for Pain Management			
Use of Funds	Clinical	Non -Clinical	Total
Preplanning Costs	\$25,000	\$0	\$25,000
Modernization Contracts	\$1,189,400	\$0	\$1,189,400
Contingencies	\$62,600	\$0	\$62,600
Architectural/Engineering Fees	\$137,700	\$0	\$137,700
Consulting & Other Fees	\$150,000	\$0	\$150,000
Moveable & Other Equipment	\$375,000	\$0	\$375,000
Fair Market Value of Leased Space	\$612,999	\$0	\$612,999
Totals	\$2,552,699	\$0	\$2,552,699
Source of Funds			
Cash & Securities	\$1,939,700	\$0	\$1,939,700
Leases (FMV)	\$612,999	\$0	\$612,999
Total	\$2,552,699	\$0	\$2,552,699

VI. Cost/Space Requirements

Table Five displays the project's space requirements for the project. All spatial considerations were divided into clinical only. The definition of non-clinical as defined in the Planning Act [20 ILCS 3960/3] states, "non-clinical service area means an area for the benefit of the patients, visitors, staff or employees of a health care facility and not directly related to the diagnosis, treatment, or rehabilitation of persons receiving treatment at the health care facility."

TABLE FIVE			
Space Requirements			
Department/Area	Proposed	Modernized	Cost
Clinical	5,640	5,640	\$2,552,699
Non-Clinical	0	0	\$0
Total GSF	5,640	5,640	\$2,552,699

VII. Project Purpose, Background and Alternatives - Information Requirements

A. Criterion 1110.230(a) - Background of Applicant

The criterion:



“An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character, to adequately provide a proper standard of health care service for the community. [20 ILCS 3960/6] In evaluating the qualifications, background and character of the applicant, HFPB shall consider whether adverse action has been taken against the applicant, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application. A health care facility is considered "owned or operated" by every person or entity that owns, directly or indirectly, an ownership interest. If any person or entity owns any option to acquire stock, the stock shall be considered to be owned by such person or entity (refer to 77 Ill. Adm. Code 1100 and 1130 for definitions of terms such as "adverse action", "ownership interest" and "principal shareholder").”

The applicants provided licensure and certification information as required. The applicants (Nesreen Suwan, M.D., Dana Elborno, and Lara Elborno,), acknowledged having 5% to 49% interest in 55555, LLC. The applicants are not associated with any other health care facilities, and under advisement from Board Staff did not need to provide an “adverse action letter”. The applicant provided all the necessary information required to address this criterion.

B. Criterion 1110.230(b) – Purpose of the Project

The criterion states:

“The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

1) The applicant shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project. Examples of such information include:

A) The area's demographics or characteristics (e.g., rapid area growth rate, increased aging population, higher or lower



fertility rates) that May affect the need for services in the future;

- B) The population's morbidity or mortality rates;**
 - C) The incidence of various diseases in the area;**
 - D) The population's financial ability to access health care (e.g., financial hardship, increased number of charity care patients, changes in the area population's insurance or managed care status);**
 - E) The physical accessibility to necessary health care (e.g., new highways, other changes in roadways, changes in bus/train routes or changes in housing developments).**
- 2) The applicant shall cite the source of the information (e.g., local health department Illinois Project for Local Assessment of Need (IPLAN) documents, Public Health Futures, local mental health plans, or other health assessment studies from governmental or academic and/or other independent sources).**
 - 3) The applicant shall detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being. Further, the applicant shall provide goals with quantified and measurable objectives with specific time frames that relate to achieving the stated goals.**
 - 4) For projects involving modernization, the applicant shall describe the conditions being upgraded. For facility projects, the applicant shall include statements of age and condition and any regulatory citations. For equipment being replaced, the applicant shall also include repair and maintenance records."**

According to the applicants, the primary purpose of the project is to provide greater access to neurology and pain management services in the proposed geographical area. The applicant notes the patients will be treated in a facility designed specifically for the provision of safe and effective interventional pain management services, which will be licensed under the jurisdiction of IDPH. The applicant notes that approximately 60% of pain management procedures are performed by physicians in procedure rooms located in office suites, which is in violation of the



Illinois Ambulatory Surgical Treatment Act. The proposed facility will bring area physicians into compliance with the earlier mentioned Act. Lastly, the applicant notes the patient origin distribution is not anticipated to change with the opening of the proposed ASTC.

C. Criterion 1110.230(c) Alternatives to the Proposed Project

The criterion states:

"The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

- 1) Alternative options shall be addressed. Examples of alternative options include:**
 - A) Proposing a project of greater or lesser scope and cost;**
 - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;**
 - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and**
 - D) Other considerations.**
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This May vary by project or situation.**
- 3) The applicant shall provide empirical evidence, including quantified outcome data; that verifies improved quality of care, as available."**

The applicant considered the following two alternatives:



1. **Perform Cases in Area Hospitals**

The applicants rejected this alternative citing scheduling delays and the ability to perform the proposed procedures in a less intensive, less cumbersome, and less costly environment. The applicant notes a cost differential of approximately 35% between hospital outpatient settings and an ASTC, and acknowledge the 35% difference encountered in the hospital setting is usually borne by the patient or third party payors through co-payments and deductibles. **There was no cost to this alternative.**

2. **Establish a Multi-Specialty ASTC**

The applicants acknowledged that the opening of a multi-specialty ASTC would not allow for the efficient treatment of patients as anticipated with the proposed project. In a multi-specialty ASTC, the applicants note patients are held in post-operative recovery for 2 to 4 hours following general anesthesia, compared to an anticipated operating room time of 35 minutes for pain management procedures. **The applicant identified no specific costs with this alternative.**

VIII. **Project Scope and Size, Utilization and Unfinished/Shell Space – Review Criteria**

A. **Criterion 1110.234(a) - Size of Project**

The criterion states:

“The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive. The proposed gross square footage (GSF) cannot exceed the GSF standards of Appendix B, unless the additional GSF can be justified by documenting one of the following:

- 1) Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;**
- 2) The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;**



3) The project involves the conversion of existing bed space that results in excess square footage."

The applicant proposes to establish a limited-specialty ASTC containing one OR, one procedure room, and eight recovery stations. The total square footage of the proposed project is 5,640 GSF, which is classified as being clinical in its entirety (See Table Five). The current State Board standard is 6,390 DGSF for two operating/procedure rooms, two Stage I recovery rooms, and four Stage II recovery rooms. The applicants have met the requirements of this criterion.

TABLE FIVE Project #11-121 Lisle Center for Pain Management, Lisle					
Departments	Unit of Measure	State Standard/Unit of Measure	Proposed GSF	Difference	Meets Standards
ASTC	1 Surgical Suite 1 Procedure Room	2,200 DGSF/Treatment Room/	5,640	(90)	Yes

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SIZE OF PROJECT - REVIEW CRITERION (77 IAC 1110.234(A)).

B. Criterion 1110.234(b) Project Services Utilization

The criterion states:

"This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFPB has not established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100. The applicant shall document that, in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in Appendix B."

The State Board standard for ASTC utilization is 1,500 hours per operating/procedure room. The applicant projects the following occupancy rates for the first two years after project completion. (See Table Six)

TABLE SIX			
Year	Projected Capacity*	State Standard	Standard Met?
2014	1,850 hrs/	1,500 hrs	Yes
*100% capacity: 1,500 hrs/surgery/procedure room			



THE STATE BOARD STAFF FINDS THE PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECT UTILIZATION CRITERION. – REVIEW CRITERION (77 IAC 1110.234(B)).

IX. Section 1110.1540 - Non-Hospital Based Ambulatory Surgery

A) Criterion 1110.1540(a) - Scope of Services Provided

Any applicant proposing to establish a non-hospital based ambulatory surgical category of service must detail the surgical specialties that will be provided by the proposed project and whether the project will result in a limited specialty or multi-specialty ambulatory surgical treatment center (ASTC).

The applicant is proposing to establish a limited-specialty ASTC in 5,640 GSF of leased space in Lisle. The facility will consist of one OR, one Procedure Room, six Stage I and two Stage II recovery stations. The facility will offer neurology and pain management services. The applicants have met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SCOPE OF SERVICES PROVIDED CRITERION (77 IAC 1110.1540(a)).

B) Criterion 1110.1540 (b) - Target Population

Because of the nature of ambulatory surgical treatment, the State Board has not established geographic services areas for assessing need. Therefore, an applicant must define its intended geographic service area and target population. However, the intended geographic service area shall be no less than 30 minutes and no greater than 60 minutes travel time (under normal driving conditions) from the facility's site.

The applicant proposes to establish a limited-specialty ASTC, offering neurology and pain management services. This proposed service area encompasses 31 zip code areas, HSA 07, and DuPage County. The proposed GSA encompasses an area within 30 minutes in all directions. The applicant identified a population of approximately 920,163 people, according to 2010 projection developed by CACI Marketing Systems. The applicants have satisfied the requirements of this criterion



THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TARGET POPULATION CRITERION (77 IAC 1110.1540(b)).

C) Criterion 1110.1540 - Projected Patient Volume

- 1) The applicant must provide documentation of the projected patient volume for each specialty to be offered at the proposed facility. Documentation must include physician referral letters which contain the following information:**
 - A) the number of referrals anticipated annually for each specialty;**
 - B) for the past 12 months, the name and location of health care facilities to which patients were referred, including the number of patients referred for each surgical specialty by facility;**
 - C) a statement by the physician that the information contained in the referral letter is true and correct to the best of his/her information and belief; and**
 - D) the typed or printed name and address of the physician, his/her specialty and his/her notarized signature.**
- 2) Referrals to health care providers other than ambulatory surgical treatment centers (ASTC) or hospitals will not be included in determining projected patient volume. The applicant shall provide documentation demonstrating that the projected patient volume as evidenced by the physician referral letters is from within the geographic service area defined under subsection (b).**

The applicants supplied letters from Drs. Nesreen Suwan, and Ahmed Elbornio anticipating a referral volume of 1,921 patients to the facility (application pgs. 41-42). The applicants provided the names of the facilities of past referrals, and the number of patients referred. The applicants have met the requirements of this criterion.



THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED PATIENT VOLUME CRITERION (77 IAC 1110.1540(c)).

D) Criterion 1110.1540 (d) - Treatment Room Need Assessment

- 1) Each applicant proposing to establish or modernize a non-hospital based ambulatory surgery category of service must document that the proposed number of operating rooms are needed to serve the projected patient volume. Documentation must include the average time per procedure for the target population including an explanation as to how this average time per procedure was developed.**
- 2) There must be a need documented for at least one fully utilized (1,500 hours) treatment room for a new facility to be established. Also, utilizing the formula the application must document the need for each treatment room proposed.**

Based upon the information furnished by the applicant the proposed surgical suite, procedure room and eight recovery stations are needed to serve the projected patient volume. The applicant estimates the average length of time per procedure to be approximately 54 minutes or .9 hours, to include prep and clean-up (application p. 43). Based on these findings, the applicant has met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TREATMENT ROOM NEED ASSESSMENT CRITERION (77 IAC 1110.1540(d)).

E) Criterion 1110.1540 (e) - Impact on Other Facilities

An applicant proposing to change the specialties offered at an existing ASTC or proposing to establish an ASTC must document the impact the proposal will have on the outpatient surgical capacity of all other existing ASTCs and hospitals within the intended geographic service area and that the proposed project will not result in an unnecessary duplication of services or facilities. Documentation shall include any correspondence from such existing facilities regarding the impact of the proposed project, and correspondence from physicians intending to refer patients to the proposed facility. Outpatient surgical capacity will be determined by the Agency, utilizing the latest available data from the Agency's annual questionnaires, and will be the number of surgery



rooms for ASTCs and the number of equivalent outpatient surgery rooms for hospitals. Equivalent outpatient surgery rooms for hospitals are determined by dividing the total hours of a hospital's outpatient surgery by 1,500 hours. In addition to documentation submitted by the applicant, the State Agency shall review utilization data from annual questionnaires submitted by such health care facilities and data received directly from health facilities located within the intended geographic service area, including public hearing testimony.

The proposed surgery center will have a surgical suite, a procedure room, and eight recovery stations. The proposed facility will perform neurology and pain management services exclusively with no impact on existing area providers. The applicants identified a service area encompassing a 30-minute drive distance. In this service area, the applicant identified 7 hospitals and 22 ASTCs. Board Staff identified 13 hospitals and 21 ASTCs in a similar 30-minute drive radius (See Tables One and Two).

The applicant sent impact letters to the 7 hospitals and 22 ASTCs identified in its defined service area, complete with certified mail receipts from these facilities. The application contains no responses to the impact letters sent, but notes that all responses will be forwarded to Board Staff for submission to the applicant's project file. Board Staff does note the project file contains three opposition letters from area ASTCs.

Tables One and Two list the facilities within a 30-minute drive radius, as defined by Board Staff. Of the 13 hospitals, 4 (31%), are not operating at the State Board's target occupancy (See Table One). Table Two lists the ASTCs in the service area, and 15 of the 21 (71%), ASTC's are not operating at the State Board's target occupancy. It is also noted that 15 of the 21 ASTCs are multi-specialty, they can add surgical specialties without State Board approval, and can accommodate the surgical utilization projected by this project. It would appear that the proposed project would have an impact on the existing facilities in the proposed GSA.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE IMPACT ON OTHER FACILITIES CRITERION (77 IAC 1110.1540(e)).

F) Criterion 1110.1540 (f) - Establishment of New Facilities



Any applicant proposing to establish an ambulatory surgical treatment center will be approved only if one of the following conditions exists:

- 1) There are no other ASTCs within the intended geographic service area of the proposed project under normal driving conditions; or**
- 2) All of the other ASTCs and hospital equivalent outpatient surgery rooms within the intended geographic service area are utilized at or above the 80% occupancy target; or**
- 3) The applicant can document that the facility is necessary to improve access to care. Documentation shall consist of evidence that the facility will be providing services which are not currently available in the geographic service area, or that existing underutilized services in the geographic service area have restrictive admission policies; or**
- 4) The proposed project is a co-operative venture sponsored by two or more persons at least one of which operates an existing hospital. The applicant must document:**
 - A) that the existing hospital is currently providing outpatient surgery services to the target population of the geographic service area;**
 - B) that the existing hospital has sufficient historical workload to justify the number of operating rooms at the existing hospital and at the proposed ASTC based upon the Treatment Room Need Assessment methodology of subsection (d) of this Section;**
 - C) that the existing hospital agrees not to increase its operating room capacity until such time as the proposed project's operating rooms are operating at or above the target utilization rate for a period of twelve full months; and**
 - D) that the proposed charges for comparable procedures at the ASTC will be lower than those of the existing hospital.**

The applicants propose to provide Neurology and Pain Management services to clientele within the defined GSA. The applicants propose to



establish and an ASTC that not only improves access to a greater number of patients, but will do so with greater efficiency and less cost to the patient.

Board Staff has found that there are underperforming hospitals and ASTC's within the geographic service area, and finds the facility is not necessary to improve access nor is the facility a joint venture with a hospital. The applicant does not meet any of the requirements of this criterion. A positive finding cannot be made.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE ESTABLISHMENT OF NEW FACILITIES CRITERION (77 IAC 1110.1540(f)).

G) Criterion 1110.1540 (g) - Charge Commitment

In order to meet the purposes of the Act which are to *improve the financial ability of the public to obtain necessary health services and to establish a procedure designed to reverse the trends of increasing costs of health care*, the applicant shall include all charges except for any professional fee (physician charge). [20 ILCS 3960/2] The applicant must provide a commitment that these charges will not be increased, at a minimum, for the first two years of operation unless a permit is first obtained pursuant to 77 Ill. Adm. Code 1130.310(a).

The applicant provided a list of all procedures to be performed at the proposed facility, with the associated charge for each procedure (application pg. 89). The applicant provided signed attestation to maintain the listed charges for a minimum of two years following project completion. (Application pg. 88).

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE CHARGE COMMITMENT CRITERION (77 IAC 1110.1540(g)).

IX. Review Criteria - Financial Feasibility

If an applicant has not documented a bond rating of "A" or better (pursuant to Section 1120.120), or if one of the three following conditions do not exist:



1. All of the projects capital expenditures are completely funded through internal sources.
2. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent.
3. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

The applicant must address the review criteria in this Section.

X. Criterion 1120.120 – Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

According to the applicants they are funding the project with cash and securities totaling \$1,939,700 and the FMV of the leases totaling \$612,999. A notarized letter from Nesreen Suwan, MD stated *"I attest that the total estimated costs associated with the development Lisle Center for Pain Management will be funded by cash or cash equivalents."*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120 (a)).

XI. 1120.130 - Financial Feasibility

A. Criterion 1120.130 - Financial Viability

Financial Viability Waiver

The applicant is NOT required to submit financial viability ratios if:

- 1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or

HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.



- 2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA), or its equivalent; or

HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.

- 3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

According to the applicants they are funding the project with cash and securities totaling \$1,939,700 and the FMV of the leases totaling \$612,999. A notarized letter from Nesreen Suwan, MD stated *"I attest that the total estimated costs associated with the development Lisle Center for Pain Management will be funded by cash or cash equivalents."*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL FEASIBILITY CRITERION (77 IAC 1120.130 (a)).

XII. Section 1120.140 - Economic Feasibility

A. Criterion 1120.140(a) - Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:



A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

According to the applicants they are funding the project with cash and securities totaling \$1,939,700 and the FMV of the leases totaling \$612,999. A notarized letter from Nesreen Suwan, MD stated *"I attest that the total estimated costs associated with the development Lisle Center for Pain Management will be funded by cash or cash equivalents."*

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLE OF FINANCING ARRANGEMENTS CRITERION (77 IAC 1120.140 (a)).

B. Criterion 1120.140(b) - Terms of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

Under current State Board rules a lease is a form a debt financing. The applicant did not submit the required documentation to address this criterion.



THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES APPEARS TO BE IN CONFORMANCE WITH THE TERMS OF DEBT FINANCING ARRANGEMENTS CRITERION (77 IAC 1120.140 (b)).

C. Criterion 1120.140(c) - Reasonableness of Project Cost

The applicant shall document that the estimated project costs are reasonable and shall document compliance with the State Board's standards as detailed in 77 IAC 1120.

Modernization Contracts and Contingencies - These costs total \$1,252,000 or \$221.98 per gross square feet. ($\$1,252,000 / 5,640 \text{ GSF} = \$221.98 / \text{GSF}$) This appears **reasonable** when compared to the State Board standard of \$238.78/GSF.

Contingencies - These costs total \$62,600. These costs are 5.2% of modernization costs. This appears reasonable when compared to the State Board standard of 7-10% of modernization costs.

Architect and Engineering Fees - These costs total \$137,700 or 10.9% of modernization and contingency costs. This appears reasonable when compared to the State Board standard of 7.63% – 11.45% of modernization and contingency costs.

Moveable Equipment - These costs total \$375,000 or \$187,500 per station. This appears reasonable when compared to the State Board standard of \$353,802.

Fair Market Value of Leased Space and Equipment - These costs are \$612,999. The State Board does not have a standard for these costs.

It appears the applicants are in excess of the prescribed standard for Modernization Contracts and Contingencies, and a negative finding has been made for this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.140 (c)).

D) Criterion 1120.140 (d) - Projected Operating Costs



The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

The applicants anticipate the direct operating costs per patient to be \$52.50. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECT DIRECT OPERATING COSTS CRITERION (77 IAC 1120.140 (d)).

E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The applicants anticipate the total effect of the Project on Capital Costs per treatment to be \$164.85. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1120.140 (e)).

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